

# RETIREMENT TODAY

TEACHERS' FUND FOR RETIREMENT

DECEMBER 2000

## Toll Free Number Available Nationwide

RIO's toll free number is now available throughout the continental U.S. and Canada. This change will expand service to many of our members living outside of North Dakota. Call us toll free at 1-800-952-2970.



### NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

*Teachers' Fund for Retirement  
State Investment Board*

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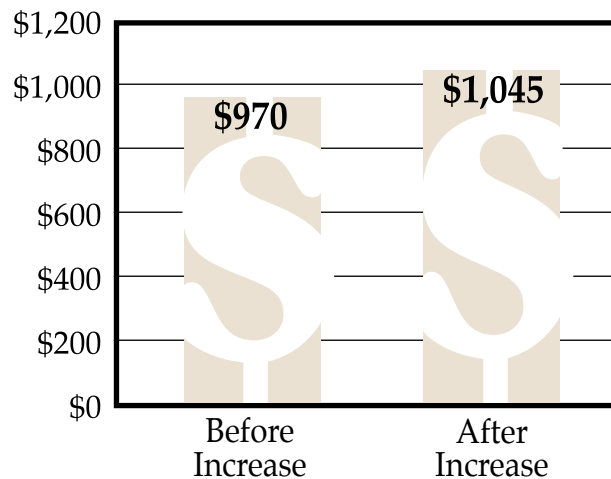
Steve Cochrane, *Executive Director/CIO*  
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*Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.*

## How will the TFFR legislative proposals affect you?



*Average monthly benefit of \$970 based on July 1, 2000 data.  
See inside for a full description of the legislative proposals.*

## Then and Now

	1990	2000
Active Members	9,547	10,025
Active Average Age	41	44
Average Annual Salary	\$24,211	\$32,223
Covered Payroll	\$231 million	\$323 million
Retired Members	4,047	4,827
Retiree Average Age	74	73
Average Monthly Benefit	\$415	\$970
Retirement Formula	1.275%	1.88%
Member and Employer Contribution Rate	6.75%	7.75%
Number of Employers	368	287
Value of Trust Assets	\$450 million	\$1.4 billion

# The TFFR Backpack



School gear has sure changed over the years. In addition to lined paper, # 2 pencils, and a 24 pack of crayons, students this year seem to be very interested in glittery gel pens, insulated lunch packs, and fancy backpacks. You know, the kind with special compartments for cell phones, water bottles, and CD players. Judging from the looks of the kids marching into school each day, hauling around a school bag is no small chore anymore.

Toting a retirement system's backpack is no small chore anymore either... especially as it gears up for a legislative session. Let's investigate the contents of "The TFFR Backpack."

## ACTUARIAL REPORTS

During the past year, TFFR underwent a number of actuarial studies:

- Each year, an *Actuarial Valuation Report* is prepared to describe the financial condition of the Fund, assess the adequacy of the current contributions, analyze changes in the funding requirements, and determine the margin (if any) in employer rate available for benefit improvements. According to the fund's actuary, Watson Wyatt, as of July 1, 2000, the margin between the employer rate mandated by law and the rate necessary to fund the UAAL in 20 years is 6.28 percent. This margin increased substantially... mainly because of the revision in the method used to compute the actuarial value of assets and strong investment performance. As a result, the UAAL was eliminated and the TFFR's funded ratio increased from 88.6 percent to 101.6 percent. Hooray!

- TFFR also went through an *Actuarial Experience Study*. Conducted every five years, this study improves the reliability of actuarial valuations by reviewing actual plan experience over the last five years to see how closely it compares to assumed plan



Fay Kopp  
Deputy Executive Director

experience. Watson Wyatt recommended, and the Board approved, a number of changes to the actuarial assumptions and methods currently being used.

- Also conducted every five years, Watson Wyatt performed an *Asset/Liability Modeling (ALM) Study*. This study evaluates the effectiveness of current and alternative asset allocations on funding levels, contribution levels, and investment risk and return. As a result of this study, the Board made changes to their asset allocation mix. The new portfolio is designed to meet the actuarial needs of TFFR as we face a likely future of declining school enrollments and possible reductions in the teacher workforce. (See "Investment Update" newsletter, August 2000.)

- To ensure that the actuarial assumptions, actuarial cost method, valuation results, and contribution rates are accurate and appropriate, every 10 years an *Actuarial Audit* is conducted by an independent actuary. Buck Consultants was selected to perform the actuarial audit of TFFR's current actuary, Watson Wyatt. The Buck report states that they found the work done by Watson Wyatt to be accurate, reasonable, and performed in accordance with generally accepted actuarial principles and practices.

## INVESTMENT REPORTS

According to Steve Cochrane, Executive Director and Chief

Investment Officer, TFFR earned 11.63 percent for the year ended June 30, 2000. For the five-year period, TFFR earned 14.24 percent. Double-digit investment returns continue to build the fund's value in excess of actuarial expectations. TFFR is achieving the investment results expected through its asset allocation strategy.

## FINANCIAL REPORTS

TFFR continues to be in sound financial condition and is capable of meeting future benefit requirements. Once again, an unqualified opinion was issued by independent auditors, Brady Martz, regarding our financial statements.

## GOLD MEDALS

The office received two prestigious achievement awards last year:

- GFOA Certificate of Achievement for excellence in financial reporting
- PPCC Achievement Award for high standards in pension plan administration.

## LEGISLATIVE PROPOSALS

TFFR is requesting that the multiplier be increased to 2.0 percent for active teachers, and a monthly benefit increase for retirees and beneficiaries. We are also proposing a number of administrative changes.

## A SHINY PENNY FOR GOOD LUCK!

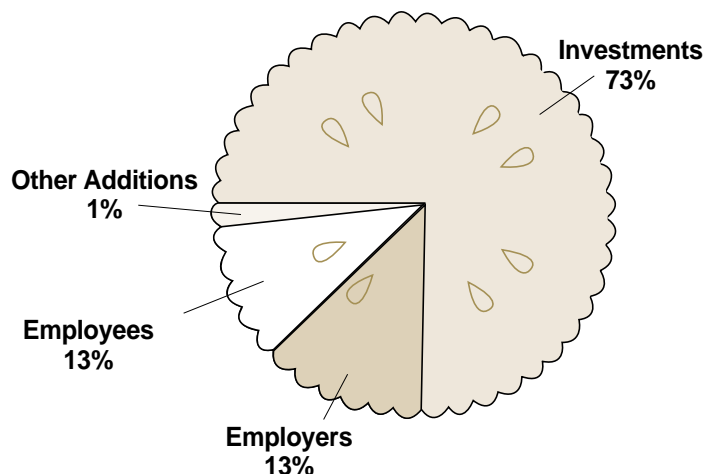
We have completed the TFFR homework assignments and will load the results of the actuarial, financial, and investment reports and awards into our TFFR Backpack. This valuable information supports the legislative proposals the TFFR Board plans to present to the 2001 Legislative Assembly.

We hope to replace the contents of our backpack with signed legislation and good news for active and retired members. Watch for updates which will be posted on the RIO website at [www.discovernd.com/rio](http://www.discovernd.com/rio).

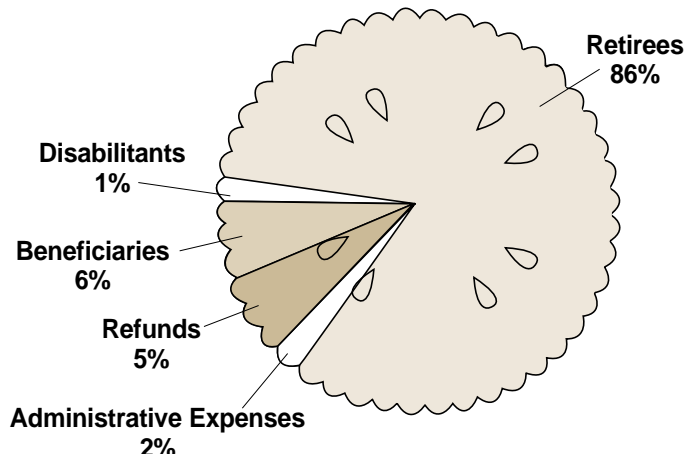
# TFFR INCOME & EXPENSES

For the Fiscal Year Ending June 30, 2000

## WHERE THE MONEY CAME FROM



## WHERE THE MONEY WENT



# FINANCIALS

## STATEMENT OF ASSETS AS OF JUNE 30, 2000

ASSETS	
Equities	\$ 786,964,157
Fixed Income	388,362,325
Real Estate	141,679,262
Private Equity	43,099,955
Invested Cash	27,586,864
Invested Securities Lending	104,357,294
Receivables	12,770,767
Other Assets	<u>6,297,658</u>
Total Assets	\$ 1,511,118,282
LIABILITIES	
Accounts Payable	\$ 1,352,612
Accrued Expenses	126,369
Securities Lending	104,357,294
Other Liabilities	<u>35,567</u>
Total Liabilities	\$ 105,871,842
Net Assets on June 30, 2000	\$ 1,405,246,440

## CHANGES IN ASSETS DURING FISCAL YEAR 2000

CASH POSITION	
Net Assets on June 30, 1999	\$ 1,262,584,076
ADDITIONS	
Member Assessments	\$ 25,528,245
Employer Contributions	25,527,734
Other Additions	2,515,798
Investment Income	<u>146,477,426</u>
Total Additions	\$ 200,049,203
DEDUCTIONS	
Benefits Paid	\$ 53,583,271
Refunds	2,788,019
Administrative Expenses	<u>1,015,549</u>
Total Deductions	\$ 57,386,839
Net Increase	\$ 142,662,364
Net Assets on June 30, 2000	\$ 1,405,246,440

## *Meet the Member Services Division*



*Pictured, left to right: Estelle Kirchoffner, Denise Weeks, Shelly Schumacher, Paula Brown.*

The staff of the Member Services Division is trained to counsel and assist retirees and beneficiaries with questions on retirement, survivor and return to work issues.

We encourage you to use this valuable resource that is only a telephone call away.

## *Just for Fun...*

A grandmother and a little girl whose face was sprinkled with bright red freckles spent the day at the zoo. The children were waiting in line to get their cheeks painted.

"You've got so many freckles, there is no place to paint!" a boy in the line cried. Embarrassed, the little girl dropped her head. Her grandmother knelt down next to her. "I love your freckles," she said. "Not me," the girl replied.

"Freckles are beautiful," said the grandmother. "Just name me one thing that's prettier than freckles."

The little girl peered into the old woman's smiling face. "Wrinkles," she answered.

*Author Unknown*



**Wishing you  
a warm and  
wonderful  
Holiday Season!**

*From the staff at the  
North Dakota Retirement  
and Investment Office*

## *Members in the News*



*Dickinson area retirees participate in the October Pre-retirement seminar.*

# ***SUMMARY OF PROPOSED LEGISLATION***

The accompanying bills were studied by the Legislative Employee Benefits Programs Committee during the interim and received a favorable recommendation from the Committee. The July 1, 2000 actuarial valuation results show adequate reserves available to fund the plan improvements contained in these legislative proposals. Complete bill drafts are available at the Retirement and Investment Office.

## **HB 1102**

- Increases the benefit multiplier from 1.88 percent to 2.00 percent for all future retirees.
- Provides a monthly postretirement benefit increase for all retired members and beneficiaries equal to \$2 multiplied by the retired member's years of service credit plus \$1 multiplied by the number of years since the member's retirement, plus an additional guaranteed 0.75 percent monthly benefit increase for all annuitants each year.

## **HB 1097**

- Allows employers the option of adopting either a "contributory" or "noncontributory" plan for payment of retirement plan contributions.

## **HB 1101**

- Clarifies the definition of "contract" and "teacher."
- Allows limited disclosure of retirement-related information to a member's employer, state and federal agencies, and member interest groups approved by the TFFR Board.
- Modifies retiree return to teach provisions:
  - Shortens the waiting period that must elapse from the retirement date before a retiree may return to TFFR covered employment from 60 days to 30 days.
  - Modifies the amount of time a retiree may return to covered employment from a maximum of 90 days at 4 or more hours a day to a total of 700 hours in a fiscal school year.
  - Improves the recalculation of benefits for a retiree who returns to covered employment, exceeds the 700 hours limitation, and re-retires.

Less than 2 years of additional service credit – discontinued benefit plus benefit increases granted during the benefit suspension, plus refund of additional assessments paid plus interest.

2 - 5 years – greater of discontinued benefit, plus additional years at the new multiplier, plus benefit increases granted during the suspension, OR all years recalculated at the new multiplier, less an actuarial offset for the amount of benefits already paid.

5 or more years – greater of the calculation above or the retirement benefit recalculated using all the years at the new multiplier with no actuarial offset.

## ***Other bill affecting TFFR:***

- Allows retired teachers who have been receiving a retirement benefit for at least one year to return to TFFR covered employment without loss of their TFFR benefits in critical shortage areas, as determined by the TFFR Board. (*Sponsor – Senator Holmberg*)



## New Service

A "New Account Notice" will be sent to retirees before payment of their first benefit. The notice will include:

- Amount of gross and net monthly benefit
- Amount of any retroactive back benefits
- Amount of deductions
- Summary of account value
- Beneficiary designation
- Direct deposit information

In addition, retirees will receive a "Benefit Change Notice" when any of the following occur:

- Change in gross and/or net monthly benefit
- Change in payroll deductions (tax withholding, health insurance premium, etc.)
- Change in beneficiary designation
- Change in direct deposit information

Retirees will receive this notice before an adjusted benefit is deposited into their account. This notice will replace the quarterly direct deposit statement.

We hope these new services provide more timely and useful benefit information. Providing the retiree these notices will satisfy a need frequently requested from the membership.



*Dr. Mark Sanford*

### Sanford Re-appointed to Board

Governor Schafer re-appointed Dr. Mark Sanford to the TFFR Board of Trustees for a five-year term beginning July 1, 2000. Dr. Sanford, Superintendent of Grand Forks Public Schools, has been a TFFR board member since 1992 and represents active school administrators. He also represents TFFR on the State Investment Board and currently serves as President of both boards.

Thank you, Mark, for your continued service to all TFFR members – both active and retired.



### In Remembrance

Margaret L. Gillen, former Executive Secretary for the Teachers' Fund for Retirement, passed away September 12, 2000 at the age of 93. Ms. Gillen worked in the field of education for almost 50 years and served the Fund from 1970-1976.

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